

Message Text

CONFIDENTIAL

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51

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /188 W

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R 091113Z NOV 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8154

C O N F I D E N T I A L BANGKOK 17547

E.O. 11652: GDS

TAGS: EFIN, TH

SUBJECT:POSSIBLE DRAIN IN THAI FOREIGN EXCHANGE RESERVES: "NERVOUS"
MONEY LEAVING THAILAND, ACCORDING TO INFORMATION GIVEN TO AN EMBASSY
OFFICER BY THE
GOVERNOR OF THE BANK OF THAILAND. THAILAND HAS SUFFERED
A SIGNIFICANT LOSS IN FOREIGN EXCHANGE RESERVES IN THE PAST
FEW WEEKS. HE WENT SO FAR AS TO CALL IT A CAPITAL FLIGHT.

2. HE RELATED THE LOSS OF RESERVES TO THE OVERTHROW OF THE PREVIOUS
REGIME. THE GOVERNOR IS A MEMBER OF THE COMMITTEE INVESTIGATING
THE ASSETS OF EXILED TRIO. HE SAID THAT HE HAD BEEN SURPRISED
BY THE AMOUNT OF MONEY KEPT ON DEPOSIT IN LOCAL BANKS BY MESSRS
THANOM, PRAPHAT AND NARONG. HE ESTIMATED THAT IT WOULD
COME TO ABOUT \$5 MILLION. (PRESS STORIES HAVE USED THE FIGURE
OF \$1.7 MILLION IN DEPOSITS UNCOVERED SO FAR.) THIS AMOUNT, LARGE
AS IT IS, IS ONLY A FRACTION OF THE ASSETS OF THE TRIO. HE
OBSERVED THAT THE MAINTENANCE OF SUCH LARGE DEPOSITS WITH THAI BANKS
SHOWED HOW CONFIDENT THE TRIO WAS OF THEIR POSITION HERE AND WHAT
LITTLE REGARD THEY HAD GIVEN TO THE POSSIBILITY OF HAVING TO LEAVE
THE COUNTRY ON SHORT NOTICE.

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3. THE OFFICIAL DID NOT SPECULATE ON THE REASONS FOR THE CAPITAL

FLIGHT. SOME OF IT MAY BE DUE TO THE EXILES' USE OF FRIENDS STILL IN THAILAND TO GET SOME OF THEIR ASSETS OUT OF COUNTRY, BUT IT IS LIKELY THAT EVEN MORE OF THE MONEY ALLEGEDLY BEING TRANSFERRED MAY BE FROM OTHER HOLDERS OF TAINTED MONEY STILL IN THAILAND WHO DO NOT WANT TO FIND THEMSELVES SOME DAY FLEEING THE COUNTRY AND LEAVING THEIR MONEY BEHIND. MANY BUSINESSMEN WHO WERE CLOSELY ASSOCIATED WITH THE PREVIOUS GOVERNMENT HAVE BUSINESS INTERESTS IN SINGAPORE, HONG KONG, AND TAIWAN AND MAY BE MOVING THE MONEY TO WHAT THEY CONSIDER AS SAFER HAVENS. THERE MAY ALSO BE LEGITIMATE REASONS FOR BUSINESSMEN NERVOUS ABOUT THE INVESTMENT CLIMATE HERE AND MOVING SOME FUNDS OUT OF THE COUNTRY.

4. A CHECK WITH WORKING-LEVEL OFFICIALS HAS FAILED TO CONFIRM THE INFORMATION GIVEN TO US BY MR. BISUDHI BUT THE GOVERNOR HAS ACCESS TO INFORMATION THAT THESE OFFICIALS DO NOT HAVE. THEY POINTED OUT THAT THAILAND'S RESERVES DO SUFFER A SEASONAL DECLINE IN THE THIRD QUARTER WHEN EXPORTS ARE LOW BUT DID NOT HAVE KNOWLEDGE OF ANY STEPPED-UP OUTFLOW OF CAPITAL IN THE PAST FOUR WEEKS. TWO KEY LOCAL BANKERS DENIED THAT THERE WAS ANYTHING OCCURRING THAT COULD BE CALLED A CAPITAL FLIGHT. DESPITE THE LACK OF CONFIRMATION, THE EMBASSY BELIEVES THAT WASHINGTON SHOULD BE INFORMED OF THE POSSIBILITY CONSIDERING THE POSITION OF THE SOURCE OF OUR INFORMATION. WE INTEND TO FOLLOW DEVELOPMENTS CLOSELY.
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